

QXO, Inc. (QXO)

October 24, 2026

"Insulated by the Lien" Buy 2033 Term Loan B (97.6 / S+200 / 6.4% YTM) & Starter in 6.875% '34s (94.7 / 7.8% YTW)

PF LTM Financials

Sales (LTM PF)	\$17.0bn
Adj. EBITDA	~\$1.89bn
% margin	11.1%
Net Debt	~\$8.65bn
Mkt Cap (diluted)	~\$15.9bn
Series C Pref.	\$3.0bn
TEV	~\$27.6bn
Net / Sec. Lvg	4.6x / 3.0x

Liquidity & Metrics

Total liquidity	~\$2.56bn
LTV through 1st lien	22%
at 8.0x EBITDA	40%
LTV through '34s	33%
EBITDA / interest	3.2x

Description

Second-largest distributor of roofing products and largest distributor and installer of insulation in North America, with 1,150+ locations, 11,000+ trucks and 28,000+ employees. TopBuild moves the mix to roughly half new construction.

History

Jacobs invested \$1.0bn in SilverSun (Jun-24), renamed it QXO, then bought Beacon (\$10.8bn), Kodiak (\$2.2bn) and TopBuild (\$15.0bn, Jul-26).

Ratings / Management

Unsecured: BB- / B2 (S&P recovery '4')
Secured: BB+ / Ba2
Brad Jacobs, Chairman & CEO
Ken West, President & COO

Acquisition Funding

Deal	Price	Debt %
Beacon (4/25)	\$10.8bn	29%
Kodiak (4/26)	\$2.2bn	0%
TopBuild (7/26)	\$15.0bn	40%
Total	\$28.1bn	32%

Covenant Map

2031/2034 notes: baskets of the greater of \$1.26bn and 18% of total assets (~\$5.9bn each) plus 4.80x ratio liens; lien baskets add

Term loan / 2032s: pari first lien capped at 4.30x net first lien (~\$3.8bn of room); pro rata offer required to subordinate lenders

Change of control: event of default under the loan; 101 put on the notes needs a ratings drop

Recovery (\$1.5bn EBITDA)

Multiple	6.0x	6.5x	7.0x
Loan	100%	100%	100%
Unsecured	28%	44%	60%
Loan, \$1.0bn	75%	82%	90%

Situation Overview

QXO closed its \$15.0bn TopBuild acquisition on 7/1/26, paying with \$6.0bn of new debt, \$1.0bn of Series C and ~312mm shares. The stock has fallen from \$27.61 to ~\$11 as legacy roofing kept weakening (sales down ~9% y/y in Q4'25 and Q1'26; Q2 margin 8.4% vs. 10.7%), and it dropped another 7.7% on 10/7 when RBC cut its target to \$18 on a slow Q3. The 6.875% '34s priced at par in June and held 101-102 through August, then fell to ~95 as their spread widened ~100bp (BVAL OAS ~210 to ~305). The 2033 term loan trades at 97.6, or 6.4% to maturity (DM ~250). **After working through the covenants, I'd rather own the loan. Almost nothing stops QXO from putting secured debt ahead of the unsecured notes, and the loan's spread is only ~25-60bp below theirs for a first lien.**

Recommendation

Overweight the \$3.0bn incremental Term Loan B due 7/1/33 at 97.6 (S+200), which is larger and more liquid than the \$850mm 2032 class. I'd also take a light starter in the 2034s, about a fifth of the QXO position, for the rate sensitivity and the upside if Jacobs keeps funding with equity, and only add after the 11/5 print if there's no debt-funded deal or buyback and legacy margins stabilize. I'd sell the loan if new pari debt or a liability-management deal pushes pro forma net first lien above 4.0x, but hold through EBITDA-driven leverage while coverage stays above 1.5x and liquidity above \$1.5bn. I'd sell the 2034s on any debt-funded deal or buyback.

Credit Thesis

- **The business can pay.** QXO is now the second-largest roofing distributor and the largest insulation installer in North America (~\$17bn of sales, ~\$1.9bn of EBITDA), and about half of sales is repair and remodel. Distribution needs little capex (~1-1.5% of sales), and when sales fall the working capital comes back as cash; Beacon's cash went up in fiscal 2009 while it paid down debt. Even in my mild recession, free cash flow after preferred dividends is still ~\$0.5bn.
- **Leverage comes down without new deals.** In my base case net leverage falls from 4.6x to ~3.0x by FY28. A mild recession pushes it to 5.7x, and a GFC-type stress, with TopBuild sales down 35% like Masco's installation business in 2008-10, takes it to 7.8x with 1.8x coverage while liquidity stays above \$2.4bn.
- **The covenants protect the loan much better than the notes.** The notes' \$1.26bn baskets grow with 18% of total assets (~\$5.9bn each), and the lien baskets stack. The loan caps new pari debt at 4.30x net first lien. That still allows ~\$3.8bn of pari debt, ABL growth and drop-downs, so the protection is real but partial.
- **I give up little spread for the first lien.** The loan yields 6.4% to the 2034s' 7.8%, but most of that gap is the rate curve (floating vs. eight-year fixed); on spread the loan is ~25-60bp tighter, depending on how you convert SOFR to Treasuries. The loan recovers in full at 6.0x on \$1.3bn of EBITDA or more and 75-82% in my \$1.0bn stress case, while the unsecured notes recover ~44% at 6.5x on \$1.5bn (S&P: 30-50%).

Relative Value

- **Within QXO's own debt,** the loan pays ~55bp more to maturity than the 2032 secured notes (~195bp) in exchange for a floating coupon and no call protection. It also trades ~1 point below the BB loan index (98.64) despite a BB+ rating.
- **Across scenarios,** with rates falling in the recessions and stress priced off the recovery grid, expected 12-month returns are close (2034s ~0.7 points ahead on benign weights, the loan ~1.5 ahead on mine). They separate in the stress case, where I estimate the loan loses ~13% and the 2034s ~43%.

Risks & Mitigants

- **Capped upside.** QXO can reprice the loan lower, and a strategic buyer would repay it at par while the 2034s could rally toward ~105. *Mitigant:* I'm buying it for carry and protection.
- **Funding at \$11.** Raising \$3bn of equity now would mean ~26% dilution, which makes a debt-funded deal or a buyback (like XPO in 2019) more likely, and every document allows one. *Mitigant:* it hurts the 2034s much more.
- **Liability management.** The loan's ~\$5bn investment basket lets QXO move assets to unrestricted subsidiaries. *Mitigant:* subordinating the loan requires a pro rata offer to all lenders, and nothing matures before 2030.

Capitalization PF 7/1/26, Pricing 10/22/26

\$mm; loan spreads are discount margins to maturity

Coupon	Security	Rating	Maturity	Amount	Price	Yield	Spread	Cum. Lvg
S+125-175	ABL (\$1.93bn avail.)	-	4/29/30	11	-	-	-	0.0x
S+200	Term Loan B (Beacon class)	BB+ / Ba2	4/30/32	850	97.75	6.42%	DM ~254	0.5x
S+200	Term Loan B (incremental)	BB+ / Ba2	7/1/33	3,000	97.63	6.39%	DM ~250	2.0x
6.750%	Sr. Sec. Notes	BB+ / Ba2	4/30/32	2,250	99.4	6.88%	~195	3.2x
-	Finance Leases	-	-	183	-	-	-	3.3x
6.500%	Sr. Notes	BB- / B2	7/15/31	1,500	97.3	7.17%	230	4.1x
6.875%	Sr. Notes	BB- / B2	7/15/34	1,500	94.7	7.79%	274	4.9x
Total Debt; Cash ~640; Net Debt 8,654				9,294				4.6x net
TEV incl. Series C (\$3,000) and diluted equity (\$15,897)				27,551				14.6x

Scenarios at FY27E

\$ in millions; author estimates; rates fall in the recessions

	PF LTM	Base	Mild Recession	Stress
Adj. EBITDA (% margin)	1,892 (11.1%)	2,097 (11.7%)	1,403 (9.0%)	1,019 (7.3%)
Net leverage / net secured	4.6x / 3.0x	3.7x / 2.3x	5.7x / 3.5x	7.8x / 4.9x
EBITDA ÷ interest / liquidity	3.2x / 2,559	3.6x / 2,430	2.4x / 2,430	1.8x / 2,865
12-month return: term loan / 2034s		6.6% / 9.1%	-0.3% / 2.6%	-13.0% / -43.1%

Full Write-up
colehpage.com/
coverage/qxo



Company Overview

QXO began in June 2024, when Jacobs Private Equity and co-investors put \$1.0bn into SilverSun Technologies, a small software reseller, through a 9% convertible preferred (conv. \$4.566) and 219mm warrants, followed by ~\$4.1bn of private placements at \$9.14. Jacobs' stated goal is to build the technology-led leader of the \$800bn building products distribution industry, with \$50bn of revenue within the decade and more than double today's EBITDA by 2030. Since April 2025 QXO has closed three acquisitions worth ~\$28bn.

Legacy Beacon Roofing (acquired 4/29/25, \$10.8bn)

- Founded in 1928 and based in Herndon, VA, Beacon described itself as the largest publicly traded distributor of roofing materials and complementary building products in the U.S. and Canada. QXO paid \$124.35 per share in cash. Beacon put its end-market mix at ~80% repair and remodel and ~20% new construction (Sep-24 investor presentation).
- As a standalone company Beacon earned \$930mm of adj. EBITDA on \$9.76bn of sales in 2024 (9.5%). Under QXO the legacy business has shrunk and its margin has fallen, which management attributes to product costs running ahead of selling prices.

Legacy QXO / Beacon by Quarter

\$ in millions; y/y and Q2 split are author estimates; Q2'26 reported margin incl. Kodiak was 8.4%

Quarter	Net sales	Year over year	Adj. EBITDA	Margin
Q3'25	2,726	~1%	302	11.1%
Q4'25	~2,170	~9%	150	6.9%
Q1'26	~1,730	~9%	~1	~0.1%
Q2'26 ex-Kodiak	~2,651	~1%	~212	~8.0%
LTM 6/26	~9,295		~665	~7.2%

Kodiak Building Partners (acquired 4/1/26, \$2.24bn)

- Distributes lumber, trusses, windows and doors, construction supplies and exterior products, with assembly and installation. Bought from Court Square for \$2.0bn of cash (incl. \$1.49bn of debt repaid) and 13.2mm shares, funded with \$2.0bn of Apollo Series C. FY25 sales \$2.34bn and ~\$190mm of EBITDA (~8%).

TopBuild (acquired 7/1/26, \$15.0bn)

- The largest installer and distributor of insulation in North America. FY25 sales \$5.41bn and adj. EBITDA \$1.04bn (19.2%). Adjusted for its 2025 acquisitions, TopBuild reported \$6.2bn of sales and \$1.14bn of EBITDA, the basis for the ~\$17bn value and 14.9x multiple at announcement; I use the reported figures.
- TopBuild guided 2026 to \$5.925-6.225bn of sales and \$1.005-1.155bn of adj. EBITDA on low-single-digit volume and price declines. Q1'26 sales rose 17% on acquisitions, but same-branch residential sales fell 10.9% and the margin was 16.5%.
- QXO paid ~\$6.4bn of cash and ~312mm shares. TopBuild's notes and credit agreement were retired at close, and the TopBuild guarantors joined the notes by supplemental indenture on 7/1/26.

Management & Incentives

- Brad Jacobs (Chairman & CEO)** founded United Rentals in 1997 and built XPO from 2011, later spinning off GXO and RXO. **Ken West (President & COO since 9/1/26)** ran Honeywell Process Technology and led the Johnson Matthey Catalyst Technologies integration.
- Incentives at \$11.** Jacobs Private Equity holds the 9% preferred (219mm shares as converted) and 219mm warrants struck at \$4.566-13.698, still ~2.4x his entry, so nothing forces him to sell. A \$3bn equity raise at \$11 would be ~270mm shares, ~26% of the basic count, which makes debt-funded growth or a buyback the cheaper path for the equity. That matters more for the unsecured notes than for the loan.

Capital Raising Since June 2024

\$ in millions; net cash proceeds unless noted

Date	Security	Proceeds	Price
Jun-24	9% convertible perpetual preferred + 219mm warrants (gross)	1,000	conv. \$4.566
Jun / Jul-24	Private placements incl. 42.0mm pre-funded warrants (gross)	~4,120	\$9.14
Apr-25	Private placement and public offering	1,364	\$12.30 / \$13.25
May-25	55.8mm shares + \$575mm 5.50% mandatory convertible preferred	1,450	\$16.50 / \$50
Jun-25 / Jan-26	Public offerings, 91.6mm and 31.6mm shares	2,709	\$22.25 / \$23.80
Apr / Jul-26	4.75% Series C convertible perpetual preferred (Apollo, gross)	3,000	conv. \$23.25
Total, all raised at \$9.14-23.80 (excludes shares issued to sellers)		~13,640	

Industry & Credit Risks

- **Roofing distribution has consolidated around three national players.** Home Depot bought SRS for ~\$18.25bn in 2024, QXO bought Beacon in 2025, and ABC Supply is private. Home Depot then added GMS for ~\$5.5bn after outbidding QXO's \$95.20 per share, and Lowe's bought FBM for \$8.8bn (13.4x).
- **Re-roofing is mostly non-discretionary.** Beacon put re-roofing at ~80% of roofing demand and over 90% of it non-discretionary. Through the GFC its fiscal sales fell ~10% (FY08-FY10) while single-family starts fell about three-quarters (Census Bureau).
- **Insulation follows new construction.** TopBuild's sales are ~52% residential and only ~22% repair, remodel and maintenance. Its predecessor, Masco's Installation and Other Services segment, saw sales fall from \$1,861mm in 2008 to \$1,147mm in 2010 and lost \$131mm and \$114mm in 2009-10 before impairments (Masco 2010 10-K). That is the precedent for my stress case.

Transaction Comparables

\$ in millions

Date	Target	Acquirer	Price	EV / EBITDA	Basis
Jul-26	TopBuild	QXO	15,034	~14.5x	FY25 adj. EBITDA \$1,037mm (QXO: 14.9x on \$1,142mm PF)
Apr-26	Kodiak	QXO	2,238	~11.7x	FY25 EBITDA ~\$190mm
Apr-25	Beacon Roofing Supply	QXO	10,788	~11.6x	FY24 adj. EBITDA \$930mm
Aug-25	Foundation Building Materials	Lowe's	8,800	13.4x	2024 PF adj. EBITDA \$635mm
Jun-25	GMS	Home Depot (SRS)	5,500	n/d	\$110 per share; outbid QXO

Credit Risks & Mitigants

- **Layering.** The 2031/2034 indenture lets QXO secure debt under a general basket and an acquisition basket that each grow at 18% of total assets (~\$5.9bn each), plus ratio liens to 4.80x, and the lien baskets add. The loan caps new pari first-lien debt at 4.30x net first lien (~\$3.8bn of room), and subordinating it needs a pro rata offer to every lender. The notes have nothing comparable.
- **Funding at \$11 and buybacks.** The \$13.6bn of equity and preferred was raised at \$9.14-23.80, and the Series C is fully drawn. Every document allows a debt-funded deal or buyback. The notes permit restricted payments of ~\$1.0bn a year plus a ~\$5.9bn general basket, and the loan allows unlimited payments at ≤3.55x net first lien. At XPO, Jacobs borrowed ~\$1bn in 2019 to buy back stock. *Mitigant:* if either is funded with secured debt, the notes take most of the hit.
- **Housing and TopBuild margins.** QXO is now roughly half new construction, and TopBuild's margin fell to 16.5% in Q1 before any downturn. At 16.5% for FY26, EBITDA is ~\$79mm lower and FY26E leverage 4.6x instead of 4.4x. *Mitigant:* my stress case takes TopBuild sales down 35%, and the loan still recovers 75-82%.
- **Loan-specific risks.** QXO repriced the loan once and can again (101 soft call on the incremental only to ~1/1/27), and a widely held strategic buyer would repay it at par while the 2034s, with no put, could trade toward ~105. The coupon falls if SOFR falls. The loan's investment basket (greater of \$1.05bn and 15% of assets, ~\$5bn) allows assets to move to unrestricted subsidiaries, so the pro rata protection guards against being primed but not against assets leaving. Loans settle T+10 to T+20 and need an eligible lender.
- **Preferred and rates.** Preferred dividends cost ~\$264mm a year in cash but can all be paid in stock or deferred. The Series C has a fundamental-change redemption right at the greater of stated value and as-converted value. The 2034s carry 5.7 years of duration.

Financial Forecast & Rationale

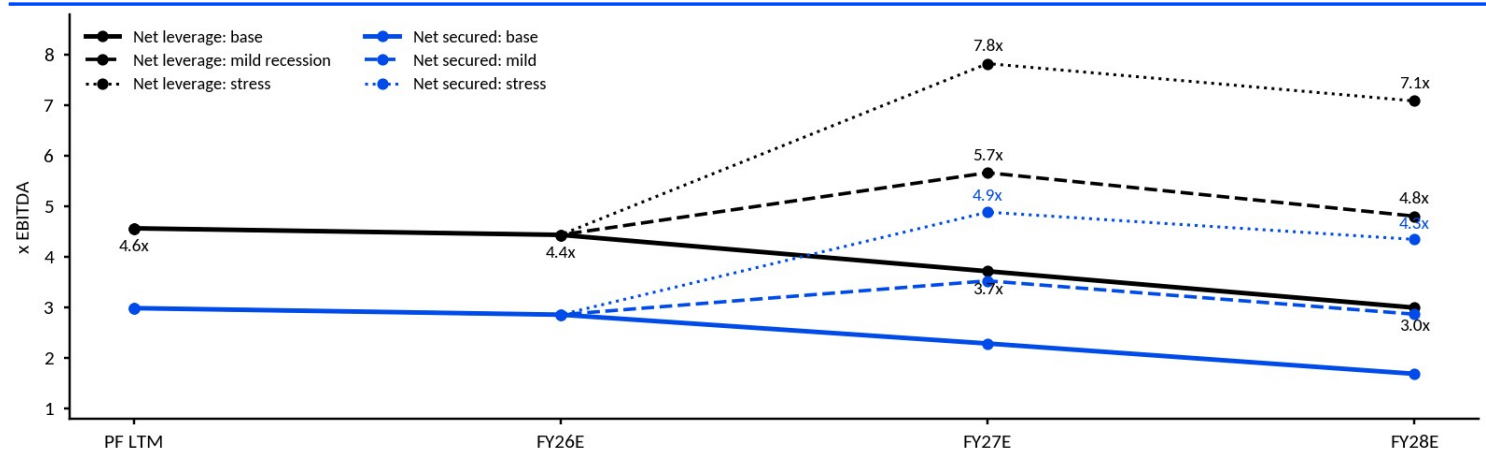
Base, Mild Recession and Stress (Author Estimates, No New Acquisitions)

\$ in millions; FY26E cash flow applied from 7/1/26

	PF LTM	FY26E	FY27E	FY28E	Mild FY27E	Mild FY28E	Stress FY27E	Stress FY28E
Net sales	17,042	17,391	17,895	18,536	15,543	15,906	14,018	14,257
Adj. EBITDA	1,892	1,904	2,097	2,300	1,403	1,554	1,019	1,094
% margin	11.1%	10.9%	11.7%	12.4%	9.0%	9.8%	7.3%	7.7%
Cash interest	(595)	(596)	(576)	(538)	(576)	(547)	(576)	(574)
Capex		(243)	(251)	(260)	(187)	(191)	(140)	(143)
Taxes, deal cash, leases		(355)	(315)	(285)	(215)	(185)	(175)	(125)
Working capital		(35)	(50)	(64)	185	(36)	337	(24)
Preferred dividends (cash)		(264)	(264)	(244)	(122)	(102)	-	-
FCF after preferred (FY26E full-year rate)		411	642	909	489	493	465	228
Net debt (year-end)	8,654	8,449	7,807	6,898	7,960	7,467	7,983	7,755
Net leverage	4.6x	4.4x	3.7x	3.0x	5.7x	4.8x	7.8x	7.1x
Net secured leverage	3.0x	2.9x	2.3x	1.7x	3.5x	2.9x	4.9x	4.4x
EBITDA / cash interest	3.2x	3.2x	3.6x	4.3x	2.4x	2.8x	1.8x	1.9x
Liquidity	2,559	2,430	2,430	2,430	2,430	2,430	2,865	3,063

Leverage Path by Scenario

no new acquisitions



Base Case

- FY26:** Legacy sales fall 3% and margin is 6.9%, which still assumes the second half improves on the second half of 2025 after a weak Q2. TopBuild hits the midpoint of its guidance. EBITDA of ~\$1.90bn; half a year of FCF after the close takes net leverage to 4.4x.
- FY27-28:** Legacy margins recover to 8.0% and 8.8%, TopBuild grows 4-4.5%, and synergies reach \$40mm, well below management's ~\$300mm target by 2030. Voluntary term loan prepayments take net leverage to ~3.0x and net secured to ~1.7x by FY28.

Mild Recession

- FY27:** Legacy sales -8% at 6.2%, Kodiak -12%, TopBuild -14% at 14.5%. EBITDA \$1.40bn, net leverage 5.7x, net secured 3.5x, coverage 2.4x. Working capital releases ~\$185mm and the Series C is paid in stock. Neither exit trigger fires, because the higher leverage comes from lower EBITDA and no new debt is added. On a to-maturity basis the loan would trade near 92.

Stress (GFC-Type)

- FY27:** Legacy -10% at 6.0%, Kodiak -15% at 5.0%, TopBuild -35% at 11.0%, close to the Masco installation precedent. EBITDA ~\$1.02bn, net leverage 7.8x, coverage 1.8x. All preferred dividends move to stock, working capital releases ~\$340mm, and QXO holds cash instead of prepaying, so liquidity rises to ~\$2.9bn. The company keeps paying interest; priced off the recovery grid, the loan would trade near 80 and the 2034s in the 40s.

Key Assumptions

- SOFR held flat at 3.9%; each 100bp on the \$3.85bn of term loans is \$38.5mm of interest. Interest is on beginning balances. Term loan prepayments are voluntary (the contractual sweep is 0% below 3.30x net first lien).
- No acquisitions or buybacks. Either one, funded with debt, would move these paths, which is why the exit triggers key off new secured debt and buybacks.

Corporate Structure & Covenants

QXO, Inc. (NYSE: QXO): common equity, 9% Jacobs convertible preferred (\$1.0bn), 4.75% Apollo Series C (\$3.0bn), 5.50% mandatory convertible preferred (\$575mm), 219mm warrants
Queen HoldCo, LLC (Holdings): limited-recourse guarantor of the term loans and ABL only; pledges the Issuer's equity
QXO Building Products, Inc. (formerly Beacon), Issuer / Borrower: \$2.0bn ABL, \$3.85bn term loans, \$2.25bn 6.75% secured notes '32, \$1.5bn 6.50% notes '31, \$1.5bn 6.875% notes '34. Guaranteed by domestic restricted subsidiaries, incl. the TopBuild guarantors (Forward Merger Sub and subsidiaries) and Kodiak

Covenant Analysis

ABL, term loan and 2032 notes per 4/29/25 documents as amended; 2031/2034 per 6/17/26 indenture; n/r = not reviewed

Term	ABL	Term Loans	6.75% Sec. Notes '32	6.50% / 6.875% Notes '31 / '34
Size / pricing	Lesser of \$2.0bn and borrowing base; S+125-175; 0.20% unused	\$850mm + \$3.0bn; S+200 both classes (Amendments No. 1-2)	\$2.25bn; 6.75%	\$1.5bn + \$1.5bn; 6.500% / 6.875%
Maturity	4/29/30	4/30/32 bullet; 7/1/33, 1% a year	4/30/32	7/15/31; 7/15/34
Collateral	1st on receivables and inventory	1st on other assets; 2nd on ABL collateral	Pari with term loans	Unsecured
Maintenance	Springing FCCR ≥1.00x below greater of 10% / \$120mm availability	None	None	None
Debt / liens	Mirrors term loan; nothing ahead of ABL on its collateral	Free-and-clear greater of \$1.075bn / 1.0x + greater of \$1.05bn / 15% of assets + reload for prepayments; pari 1L ≤4.30x; junior liens ≤4.80x	Ratio debt ≤5.05x or FCCR ≥2.0x; facilities \$4.5bn + greater of \$1.075bn / 1.0x, more at ≤4.30x	Ratio debt ≤5.05x or FCCR ≥2.0x; facilities \$6.1bn + greater of \$2.43bn / 1.0x; ABL basket ~\$4.9bn; general and acquisition baskets greater of \$1.26bn / 18% of assets, securable; liens at ≤4.80x; lien baskets add
Restricted payments	Availability ≥ greater of 12.5% / \$150mm	Unlimited at ≤3.55x net 1L; greater of \$1.05bn / 15%; \$175mm / 2.5% a year	n/r	Unlimited at ≤3.55x net total; greater of \$1.26bn / 18%; \$210mm / 3% a year
LME protection	n/r	Pro rata offer before subordination; no IP blocker	n/r	None found; unrestricted subsidiaries allowed up to the general basket
Change of control	n/r	Event of default	101, single trigger	101 only with a downgrade within 60 days; Permitted Holders include QXO and Jacobs; a widely held new parent does not trigger
Calls	-	Par; 101 soft call on incremental to ~1/1/27	NC to 4/30/28, then 103.375 / 101.688 / par	'31s 103.250 (7/28), 101.625, par; '34s 103.438 (7/29), 101.719 (7/30), par
IG suspension	-	-	Yes	Covenants and subsidiary guarantees suspend at IG from both agencies

Secured Capacity Ahead of the Unsecured Notes

est. total assets ~\$33bn; covenant EBITDA ~\$2.2bn

Basket	Document	Capacity (\$mm)
General debt and lien basket (greater of \$1.26bn, 18% of total assets)	2031/2034 notes	~5,900
Acquisition debt basket (same grower; securable)	2031/2034 notes	~5,900
Secured debt to 4.80x net secured leverage	2031/2034 notes	~4,900
ABL basket (borrowing base or \$2.5bn, plus \$2.43bn)	2031/2034 notes	~4,900
Pari first lien to 4.30x net first lien	Term loan, 2032 notes	~3,800
Term loan free-and-clear incremental plus reload	Term loan	~3,600

The notes' baskets add, so the 2031/2034 indenture would not stop QXO from adding well over \$10bn of secured debt. The binding limits sit in the term loan and 2032 notes, which a simple majority can amend, and every ABL draw is excluded from the incurrence ratios.

Relative Value Analysis

QXO Debt Curve

Bloomberg 10/22/26

Security	Rating	Amount	Price	Yield	Spread	ModDur	Cum. Lvg	LTV
Term Loan B, S+200 ('33 / '32)	BB+ / Ba2	3,850	97.63 / 97.75	6.39% / 6.42%	DM ~250 / ~254; 3-yr ~298 / ~292	floating	2.0x	14%
6.75% Sr. Sec. Notes '32	BB+ / Ba2	2,250	99.4	6.88%	OAS ~195	4.40	3.2x	22%
6.50% Sr. Notes '31	BB- / B2	1,500	97.3	7.17%	OAS 230	3.92	4.1x	28%
6.875% Sr. Notes '34	BB- / B2	1,500	94.7	7.79%	OAS 274; G+291	5.73	4.9x	33%

LTV = cumulative debt / (TEV + cash) at market. Loan prices and ratings per Bloomberg DES / DDIS, 10/23/26; bonds 10/22/26.

- **Why the loan.** The loan yields ~6.4% to maturity, ~140bp below the 2034s, but most of that gap is the rate curve, since the loan floats and the 2034s are fixed for eight years. On spread the loan is ~25-60bp tighter than the 2034s, depending on how you convert SOFR to Treasuries, and ~55bp wider than the 2032 secured notes on the same collateral. For that I get a first lien, no duration and a change-of-control default.
- **Why a small position in the 2034s.** They trade ~30-35bp wide of the BVAL BB curve and ~55bp inside the single-B curve at eight years, about where a BB-/B2 split rating should sit, so they are not cheap on their own; they do have 5.3 points of pull-to-par. They are the only leg that gains if Treasuries fall, and a re-rating to the BB curve would add ~2.5 points.
- **Against the loan market** the 2033 loan trades about a point below the Morningstar LSTA BB loan index (98.64 on 10/23, its 52-week low) despite a BB+ rating, so it looks modestly cheap against other BB loans as well as within QXO's own debt.
- **What moved the 2034s.** Their BVAL OAS was ~205-240bp from issue through early September and has widened to ~305bp since (Appendix #3), about 100bp. With 5.7 years of duration that explains nearly all of the ~6-point price drop, so almost all of the selloff is spread.
- **The 2031s** mature before every other piece of term debt and will be refinanced first, which explains part of the ~44bp of extra OAS on the 2034s.
- **Layering without default** is the bad outcome I think is most likely. If a deal or buyback adds \$2bn or more of secured debt, I estimate the 2034s lose 6-9 points and the loan 1-2.

12-Month Total Return by Scenario

weights A = 45 / 30 / 10 / 15 (mine); B = 70 / 20 / 5 / 5 (benign)

	Base	Mild	Stress	Layering	Weighted A	Weighted B
Treasuries / SOFR change (bp)	0 / 0	-75 / -100	-150 / -200	0 / 0		
Loan DM / 2034s OAS at horizon (bp)	240 / 250	375 / 450	priced 80 / 47	275 / 400		
Term Loan B (97.6)	6.6%	-0.3%	-13.0%	4.9%	2.3%	4.2%
6.875% 2034s (94.7)	9.1%	2.6%	-43.1%	1.4%	0.8%	4.8%
80 / 20 mix	7.1%	0.3%	-19.1%	4.2%	2.0%	4.3%

Loan prices are to maturity; stress prices come from the recovery grid. Expected returns are close and depend on the weights. On benign weights the 2034s earn ~0.7 points more, and on mine the loan earns ~1.5 points more. The loan's advantage shows up on the downside, where it loses ~13% in my stress case against ~43% for the 2034s, and keeps most of its carry in the layering case while the 2034s earn ~1%.

2034s and 2031s: 1-Year Total Return by Spread Change

flat Treasuries

Bond (price)	-100bp	-50bp	Flat	+50bp	+100bp	+150bp	+200bp
6.875% '34s (94.7)	13.3%	10.5%	7.8%	5.2%	2.7%	0.2%	(2.1%)
6.500% '31s (97.3)	10.5%	8.8%	7.2%	5.6%	4.0%	2.4%	0.9%

Debt Recovery

Term Loan & Secured Notes Recovery						Unsecured Notes Recovery					
after a fully drawn ABL						\$1.5bn of other unsecured claims					
EBITDA	5.0x	5.5x	6.0x	6.5x	7.0x	EBITDA	6.0x	6.5x	7.0x	7.5x	8.0x
\$1,000	60%	67%	75%	82%	90%	\$1,000	0%	0%	0%	0%	7%
\$1,200	75%	84%	93%	100%	100%	\$1,200	0%	3%	15%	28%	41%
\$1,300	82%	92%	100%	100%	100%	\$1,300	3%	17%	30%	44%	58%
\$1,400	90%	100%	100%	100%	100%	\$1,400	15%	30%	45%	60%	75%
\$1,500	97%	100%	100%	100%	100%	\$1,500	28%	44%	60%	76%	91%
Unsecured: Other Claims × Multiple						Unsecured: New Secured Debt × Multiple					
\$1.5bn EBITDA						\$1.5bn EBITDA					
Other claims	6.0x	6.5x	7.0x	7.5x		New secured	6.5x	7.0x	7.5x	8.0x	
\$750	34%	53%	72%	91%		\$0	44%	60%	76%	91%	
\$1,500	28%	44%	60%	76%		\$1,000	22%	38%	53%	69%	
\$2,000	25%	40%	54%	68%		\$2,000	0%	15%	31%	47%	
						\$3,000	0%	0%	9%	25%	

Waterfall: enterprise value less 5% administrative costs; ABL (\$1.0bn drawn) first on current assets; term loans, secured notes and leases (\$6.3bn) next; unsecured notes share pro rata with other unsecured claims. Accounts payable were \$1,505mm at 6/30/26 before TopBuild, so \$1.5bn of trade claims is the base and \$750mm assumes critical-vendor payments.

- **Distressed value.** Recent building products deals cleared at ~11.6-14.5x (QXO's three) and 13.4x (Lowe's / FBM). I use 6.5x as the base and 7.0x as the upside, on \$1.5bn of EBITDA, 21% below PF LTM.
- **The loan is covered.** It recovers in full at 6.0x or better on \$1.3bn and above, and 75-82% at 6.0-6.5x on the \$1.0bn stress EBITDA. S&P rates the secured debt BB+, two notches above its BB- issuer rating, which signals it expects full or near-full recovery; my stress case is more conservative. New pari first-lien debt dilutes it but does not prime it.
- **The unsecured notes recover much less.** They recover ~44% at 6.5x on \$1.5bn, inside S&P's 30-50% range for its '4' recovery rating, and each \$1bn of new secured debt removes ~20 points.

Monitoring, Limitations & Conclusion

Monitoring & Exit Triggers

Signal	Current	Term loan action	2034s action	Source
New secured debt	\$6.3bn secured; ~\$3.8bn pari 1L room	Exit if new pari debt takes PF net first lien >4.0x	Exit on any debt-funded deal	8-Ks, amendments
Buyback	None authorized	Review if debt-funded	Exit if debt-funded	8-Ks, 10-Q
Amendments / LME	None	Exit on a proposal that weakens lender protections or moves material assets	Exit	Lender calls, 8-Ks
Leverage from lower EBITDA	4.6x net; 3.0x secured	Hold while coverage >1.5x and liquidity >\$1.5bn	Hold; no adds	10-Q
Legacy margin	8.4% reported in Q2'26 (~8.0% ex-Kodiak)	Review if <7% two quarters running	Same; no adds	Quarterly results
Ratings	Unsecured BB- / B2	Review on negative outlook	Review on negative outlook	S&P, Moody's
Rates	10-year ~4.95%	-	Duration 5.7: size for it	H.15
Spread	2034s ~30-35bp wide of BB curve	Take profits on a repricing	Take profits inside the curve	Bloomberg ICVS

Limitations

- **Peer relative value is thin.** It rests on the BVAL BB and B curves and the BB loan index price, without loan-level comps or index spreads by rating.
- **Recovery is a stylized waterfall**, with no going-concern build or liquidation values for receivables and inventory, and the distressed EBITDA and multiple are assumptions.
- **Covenant capacity uses estimates** of total assets (~\$33bn) and covenant EBITDA (~\$2.2bn) until the 3Q26 10-Q.
- **The cases assume no acquisitions or buybacks**, the strongest assumption in the write-up for a company Jacobs runs.
- **Pro forma figures are partly estimated**, including the legacy LTM split, cash at close and the legacy year-over-year comparisons.

Conclusion

I recommend overweighting the \$3.0bn incremental Term Loan B due 7/1/33 at 97.6. It yields ~140bp less than the 6.875% 2034s, mostly because of the rate curve, and on spread it gives up only ~25-60bp for a first lien, no duration and a change-of-control default. Its documents also limit what can go ahead of it, which matters most in the scenario I worry about, a debt-funded deal or buyback with the stock at \$11. In my base case the loan returns ~6.6% over 12 months. In a GFC-type stress it recovers 75-82% and trades near 80 while the company keeps paying interest, against the 40s for the 2034s. Expected returns for the two are within about a point of each other, so I'm choosing the loan for the smaller loss when things go wrong.

I'd take a light starter in the 2034s for the rate sensitivity and the upside if Jacobs keeps funding with equity, and only add after the 11/5 print if there's no debt-funded deal and legacy margins stabilize. The indenture gives the 2034s little protection if he changes course, and his record of funding with equity was built when the stock was \$9-24. I'd keep roughly four parts loan to one part notes, the 80/20 mix in the scenario table, and leave the total size of the QXO position to the portfolio.

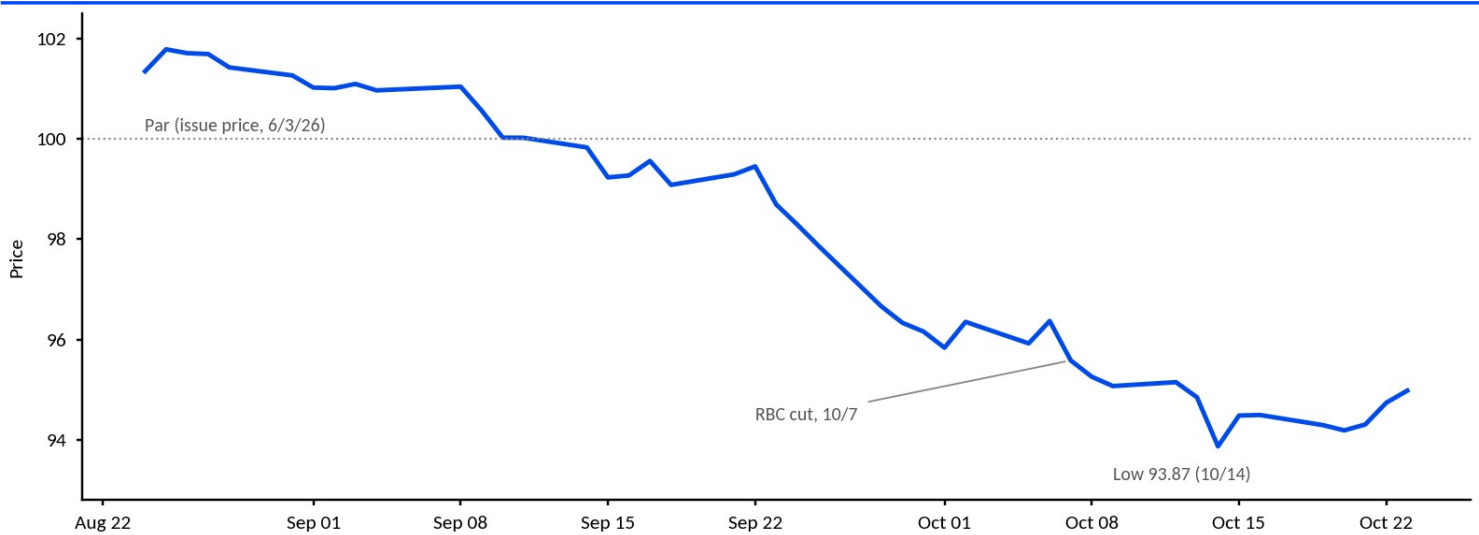
Appendix

Appendix #1. QXO Bonds vs. BVAL US Corporate BB and B Curves



Option-adjusted spread by maturity, Bloomberg FIW 10/24/26. Bonds only; the floating-rate term loans carry no OAS and are compared on discount margin in the debt curve table.

Appendix #2. 6.875% '34s Price, 8/24/26 to 10/23/26



Daily price, Bloomberg HP (IBVL). The notes priced at par on 6/3/26 and peaked at 102.76 on 7/6/26.

Appendix (cont.)

Appendix #3. 6.875% '34s BVAL OAS (Bid) Since Issuance



Bloomberg YAS graphs, 6 months to 10/23/26; last 306bp. BVAL bid OAS runs above the IBVL mid OAS (274bp) used elsewhere.

Appendix #4. Model: Scenarios at FYE27 and 12-Month Total Return

Scenarios at FYE27 and 12-Month Total Return				
Metric	Base	Mild	Stress	Layering
Adj. EBITDA FY27E	2,097	1,403	1,019	
Net leverage	3.7x	5.7x	7.8x	
Net secured leverage	2.3x	3.5x	4.9x	
EBITDA / cash interest	3.6x	2.4x	1.8x	
FCF after preferred	642	489	465	
Total liquidity	2,430	2,430	2,865	
Scenario weights A (author judgment)	45.0%	30.0%	10.0%	15.0%
Scenario weights B (benign)	70.0%	20.0%	5.0%	5.0%
Treasury change over 12 months (bp)	0	-75	-150	0
SOFR change over 12 months (bp)	0	-100	-200	0
Term loan DM to maturity at horizon (bp); today ~250	240	375	617	275
2034s OAS at horizon (bp); today 274	250	450	900	400
Price override (stress priced off the recovery grid): loan / 2034s			80 / 47	
Term loan price at horizon (spread duration 4.6)	98.16	91.95	80.00	96.55
2034s price at horizon	96.47	90.35	47.00	89.19
Term loan 12-month total return	6.6%	(0.3%)	(13.0%)	4.9%
2034s 12-month total return	9.1%	2.6%	(43.1%)	1.4%
Term loan weight in QXO exposure	80.0%			
Mix 12-month total return	7.1%	0.3%	(19.1%)	4.2%
Weighted return A (45/30/10/15): loan / 2034s / mix	2.3%	0.8%	2.0%	
Weighted return B (70/20/5/5): loan / 2034s / mix	4.2%	4.8%	4.3%	

Notes follow the scenario: flat in base and benign; falling in the scenarios. Loan secured assets with SOFR half the change over 12 months.

QXO credit model, Summary sheet. Blue cells are inputs; yellow cells are key judgments.

Appendix #5. Ratings

Bloomberg DES 10/23/26; S&P research titles

Rating	S&P	Moody's	Notes
Issuer	BB-	B2	S&P assigned BB- at the Beacon acquisition (4/25)
Term loans (2032, 2033)	BB+	Ba2	Two notches above the issuer at S&P
6.75% secured notes '32	BB+	Ba2	Pari with the term loans
6.50% / 6.875% notes '31 / '34	BB-	B2	S&P recovery rating '4' (30-50%), 6/2/26

S&P actions: initial BB- (4/21/25); debt ratings raised, off CreditWatch positive (4/8/26); unsecured notes rated BB- (6/2/26). Outlooks and upgrade / downgrade triggers not yet reviewed.